

Home Depot Executive Summary

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Introduction

As The Home Depot continues to grow and further develop their stores, differentiating customers' in-store experience is something to consider when looking to the future. The Home Depot is looking for ways to attract new customers, along with increase their store traffic. By adding Firehouse Subs restaurants to our stores, we would be able to make this difference. Alternatively, acquiring Bed, Bath, and Beyond would attract new customers by marketing more to women with things such as accessories and décor. Both would increase customer satisfaction as well as utilize store space in the best way possible, while differentiating in-store experiences for our customers.

Existing Mission, Objectives, and Strategies

The Home Depot was founded much later than its main competitor Lowe's and a key to their market dominance lies within the exacting principles that flow from their mission statement. The Home Depot's mission statement: "to provide the highest level of service, the broadest selection of products and the most competitive prices" is well rounded and bluntly states their focus on the customers experience (The Home Depot). On The Home Depot's core value list you can find "Doing the right thing, taking care of our people, and giving back to our community", all values that have influenced their business practices and programs to further gain the customers' trust; an important part in developing a relationship to better outfit your store to meet customer needs (The Home Depot). With these principles in mind, The Home Depot has offered programs such as DIY help centers and increased their presence online through ecommerce technology; each strategy is intended to enhance the customers shopping and buying experience.

Strategy

To differentiate itself from competitors, this strategy proposes that Home Depot conducts a partnership with Firehouse Subs and adds restaurants into the front of the stores. Home Depot will add restaurants to 300 stores in 2023, 300 in 2024, and 300 more in 2025. This strategy will greatly help The Home Depot differentiate itself from competitors and will also help with a number of other problems. The restaurants will help bring in more families instead of only the husband coming in to the store, which will increase foot traffic. Firehouse Subs was chosen as the restaurant for Home Depot due to their nationwide status, history of good franchising, and strong marketing connection with blue collar work due to their connection to firefighters. All in all, adding firehouse subs will allow The Home Depot to differentiate itself from competitors, bring in more customers, raise sales due to increased foot traffic, and develop a better brand name by now supporting firefighters. By the end of year 2025, this strategy will be generating an increase in sales of 1.4 billion dollars annually.

Alternative Strategy

The Home Depot's lack of appeal to women presented an unusually tough challenge since the store is not necessarily branded to a specific gender. The stores contents are determined by career fields and many of those fields are dominated by males. A more aggressive alternative strategy was to acquire a successful, yet failing Bed, Bath, and Beyond. Bed, Bath, and Beyond represented a similar business model to The Home Depot's in that it sells large quantities of décor and interior decoration items. Both of which represent market segments that The Home Depot is struggling to gain ground in. The acquisition presented a solution to multiple problems but the unstable financial position amongst other issues that arrived when deciding on the

method of integration made Bed, Bath, and Beyond a much higher risk strategy than we would like.

Biblical Worldview

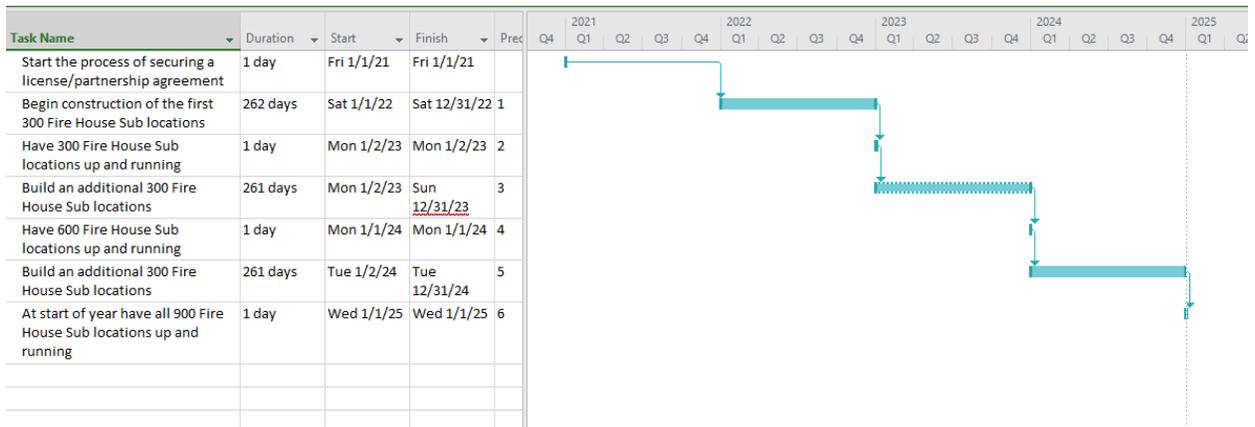
With the new installation of Firehouse sub restaurants, Home Depot will be creating 2,700 jobs with an above minimum wage salary. Leviticus 25:35 says, "If your brother becomes poor and cannot maintain himself with you, you shall support him as though he was a stranger and a sojourner" (ESV). With Home Depot's job creation and generous wages, it is helping its community to be more prosperous. Firehouse Subs also donates money to first responders and currently has a goal to raise \$1 million dollars. 2 Corinthians 9:6-8 says "Remember this: Whoever sows sparingly will also reap sparingly, and whoever sows generously will also reap generously. Each of you should give what you have decided in your heart to give, not reluctantly or under compulsion, for God loves a cheerful giver" (ESV). A constant theme throughout the Bible is the idea of giving and selflessness. Firehouse Subs follows this idea through its work to raise and give money to others.

Conclusion

In conclusion, The Home Depot is a very successful brand that does not need an extremely aggressive strategy. However, differentiating their store from competitors is still a very important task to maintain long-term growth. The addition of Firehouse Subs will solve this problem as well as bring in more families to increase foot traffic and better reach the female consumer. This strategy will generate 1.4 billion dollars annually. The alternative strategy is to purchase Bed Bath and Beyond, which would address the problem of female consumers, but is a much riskier decision. Home Depot will not only be bringing in more revenue in the future with our strategy, but they will also be generating thousands of jobs and supporting firefighters.

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Area	Goal	Measure	Target	Owner
Financial	1. Increase % of net income by year three 2. Increase the competitive advantage over Lowe's (based on sales)	1. % increase of net income 2. % increase of advantage based on sales	1. Increase net income by 10% by Q4, 2025. 2. Increase advantage by 10% by Q4, 2023.	1. Finance Manager 2. CFO
Customer	1. Increase the number of positive, online, customer reviews 2. Find out where customers are hearing about Firehouse Subs inside of Home Depot stores	1. # of positive, online, customer reviews 2. # of survey responses	1. 800 reviews by the end of Q4, 2023 2. 1,000 responses by the end of Q3, 2023	1. Customer Service Assistant Manager 2. Customer Service Manager
Operations	1. Increase amount of customers who dine at the restaurant per day 2. Increase amount of customers who enter our stores (tracked by transactions)	1. # increase 2. % increase of customers who enter & make transactions	1. Increase the number of customers by 20 per day by the end of 2023 2. Increase the number of customers transactions by 3% by the end of Q4, 2023.	1. Operations Manager 2. Operations Manager
Learning & Growth	1. Improved # of positive responses on employee satisfaction surveys 2. Adding more Firehouse Subs restaurants into stores	1. # of satisfied employees 2. # of Firehouse Subs added to stores	1. 500 more positive responses throughout the 300 stores where Firehouse restaurants were added by Q2, 2024. 2. 300 additional stores by Q4, 2023.	1. HR Manager 2. Project Manager

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Home Depot has shown great success when entering new market segments because their marketing strategies that consist of utilizing social media, blogs, workshops, etc. reaching as many potential customers as possible and providing insight into their products far beyond that of its competitors (ModGirlMarketing, 2016). 2. Home Depot holds a large share of the building and garden market share with Over 29%, compared to its main competitor Lowe's only holding 19% (Danziger, 2020). 3. Home Depot has very strong cash flows, over 11 billion in 2019, that allow them to develop and enter into emerging markets as well as capitalize on new advancements in technology, leading to a decrease in operating costs and increase in sales (FernFortUniversity). 4. Home Depot focuses greatly on their employees through intensive training programs and research & development that allow for a more knowledgeable workforce, spending on average 6 months in training to start with continual training programs (Home Depot). 5. Home Depot drives innovation amongst its vendors, employees, and customers with incentives and awards every year. They offer workshops and pitch panels amongst other events that individuals present their product to Home Depot and the winners are given the chance to sell their product in Home Depot (HBSDealer, 2018). 6. Home Depot utilizes technology very efficiently in its operations. In 2017 the company announced an \$11.1 billion dollar strategy to transform itself into a more "digital-centric retailer", with improvements in e-commerce as well as in store features such as smart phone apps to view products (Giles, 2019). 7. Home Depot has historically been very smart and strategic about its acquisitions, 	<ol style="list-style-type: none"> 1.) Even though Home Depot is in multiple markets, over 80% of their revenue comes from the United States making them overly dependent on a maturing market (O'Connor, 2020). 2.) Home Depot has shown expansion efforts in other countries outside of North America with no success. In china Home Depot failed due to their business model of DIYers, which is non-existent in china, leaving you to question Home Depot's expansion capability (Brown, 2012). 3.) Home Depot's current long-term debt to equity ratio amongst several others suggest that the company may have issues financially with planning and leverage, which can lead to significant failures in uncertain times (FernFortUniversity). 4.) In recent years Home Depot has come under scrutiny of local and federal governments with illegal dumping/disposal of hazardous waste. This can lead to a bad brand reputation and millions of dollars in fines (Bhasin, 2019). 5.) Home Depot's \$11.1 billion dollar plan to integrate technology into their business practices has reach a standstill in 2020, with little results to prove that their efforts are working (StrategyClub). 6.) Home Depot's efforts to train and retain their employees come after a long history of high employee turnover, well above the industry average of 11% (O'Connor, 2020) 7.) Home Depot's research and development sector has recorded no annual expenses, leaving them as one of the only competitors in their industry to not invest directly into R&D. They do invest in other areas similar to R&D, however non-direct investment may increase potential roadblocks (NYSE). 8.) Home Depot's current organizational structure inhibits them from growing and

<p>allowing customer service and product authority to be driving factors. Their acquisitions allow them to branch into, but similar industries to capture a market share to better their internal operations (Ogino, 2016).</p> <p>8. Home Depot focuses greatly on renewable and reusable energy and give quarterly and annual updates on their website. They currently are investing in windmill farms and plan on reducing emissions in other areas such as their supply chain. In 2019, they reduced their greenhouse gas emissions by 10% (Home Depot).</p> <p>9. Home Depot has a high level of brand loyalty amongst its customers and credits this to both their well trained and knowledgeable employees as well as their dedicated customer relationship management department (Home Depot).</p> <p>10. Home Depot outperforms its competitors by increasing their profit margin on items through integration and efficiency in their supply chain. Currently they are 3% above Lowe's and over 11% higher than the industry average of 22% (FernFortUniversity).</p>	<p>advancing into other business segments such as clothing, larger equipment sales, and other similar industries (FernFortUniversity).</p> <p>9.) Home Depot is largely dependent on macroeconomic conditions, largely that in the United States. This means that when economic conditions such as the housing market are suffering Home Depot's revenue will suffer as well, as in the 2008 recession when revenue fell on average 8% annually (Forbes).</p> <p>10.) The supply chain for Home Depot is very limited due to supplier's loyalty to a specific company. This leaves Home Depot with an inability to obtain and sell certain items, some of which may be significant in quarterly sales (Ferguson, 2017).</p>
<p>Opportunities</p>	<p>Threats</p>

<ol style="list-style-type: none"> 1.) Currently the company is in the middle of its multiyear plan to incorporate technology into business practices. Home Depot has a large and increasing presence in e-commerce resulting in over 15% of total sales coming from e-commerce, up 79% annually (Jhonsa, 2020). 2.) Being in the home improvement retail industry Home Depot has the cash flow to ensure that its products are up to date with an ever-changing customer base which will further increase their competitive advantage (FernFortUniversity). 3.) Home Depot currently has programs in place to further their efforts to use renewable and sustainable energy and with increasing environmental restrictions in coming years, they may be ahead of the curve and eliminate harsh penalties (FernFortUniversity). 4.) Home Depot is in an industry that is heavily impacted by economic recessions and upswings, mostly relating to the housing market and the recent economic upswing since 2009. Over the next five years private sector spending is expected to decrease however, contractors and housing starts are expected to be a driving force in Home Depot's revenue (O'Connor, 2020). 5.) Home Depot recently entered the high-tech appliance and device market, hoping to increase their appeal to professional customers in the coming years. This presents an opportunity to continue expanding in an area that historically has proven to be a large competitive advantage against Lowe's, since 30% of all sales come from professional clients (O'Connor, 2020). 6.) Home Depot currently operates in international markets, mainly in North America, however retail locations outside of the United States represent an opportunity to increase revenue over the 	<ol style="list-style-type: none"> 1.) Home Depot is in the home improvement retail industry, which is now considered a mature market. This means that the market is becoming saturated and there are fewer opportunities for robust growth since product differentiation is limited (O'Connor, 2020). 2.) Home Depot is subject to state, local, and federal laws. Changes in environmental laws, tariffs, taxes, privacy and data protection laws, restrictions on trade, and licensing could all affective Home Depot's operations adversely (MarketLine, 2020). 3.) Home Depot operates in various countries and is subject to foreign exchange risks. "In FY2020, the company reported a gain of US\$53 million from foreign currency translation adjustments as compared to a loss of US\$267 million in FY2019" (MarketLine, 2020). 4.) Tight labor markets and government mandated minimum wage increases pose a threat to labor costs. Many states like Washington, Maine, Maryland, and California have all raised minimum wage to well over \$10 an hour, above the federal minimum wage rate of \$7.20 an hour (MarketLine, 2020). 5.) Competition for Home Depot's main competitor, Lowe's, threatens the company's market share. At end of first quarter of 2020, Lowe's posed a 11.2% increase in sales compared to Home Depot's 7.1% (Danziger, 2020). 6.) Lumber prices have fallen 50% since 2018, coming to a price of around \$350 per thousand feet. Lumber accounts for 18% of Home Depot's revenue and the company has not responded adequately (Garcia, 2019). 7.) Strong bargaining power of employees threatens Home Depot with the possibility of strikes. In Mexico, employees of the company are seeking 20% pay raise with an added 20 days of paid vacation as of January of this year (Home, 2020).
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<p>coming years with an overall increase in discretionary income (O'Connor, 2020).</p> <p>7.) Home Depot has a larger presence than Lowe's, with 2,285 locations and their strategic location planning provides them an opportunity to capitalize on economic growth since they are in areas of high income such as California and Florida (O'Connor, 2020).</p> <p>8.) Home Depot has historically been an organization that grows through acquisitions of companies in similar markets. This presents Home Depot with an opportunity to grow, learn, and develop a brand that customers can trust leveraging more specialized information from these acquisitions (Johnston, 2020).</p> <p>9.) The home décor sector is experiencing exponential annual growth of 6.6% projected from 2020-2022; an area that Home Depot has the cash flows and expertise to invest in, giving them an opportunity to capture a larger market share (Johnston, 2020).</p> <p>10.) COVID-19 presents Home Depot with an opportunity to increase their DIY sales to homeowners, which are more likely than ever to purchase items to fix or improve their home. Currently DIY'ers make up 97% of their customers (FutureCast).</p>	<p>8.) Lawsuits serve as a large threat to Home Depot as the can slow business operations and excessive amounts of cash can be lost. Home Depot was recently hit with a class action in California over labor code violations (Shaak, 2020).</p> <p>9.) Low supply of innovated products threatens Home Depot's ability to compete with other retailers. "Over the years the company has developed numerous products but those are often response to the development by other players. Secondly the supply of new products is not regular thus leading to high and low swings in the sales number over a period of time" (FernFortUniversity).</p> <p>10.) A Looming Recession threatens to cause a decrease in home improvement projects and major construction. The company missed expectations in its earnings per share as it hit \$2.08 per share, missing the expected \$2.27 per share (Kumar, 2020).</p>
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<ul style="list-style-type: none"> 1.) With Home Depot's efforts in marketing through multiple media streams, their chances of success when entering emerging market segments, such as home décor, is significantly higher (1,9) 2.) Home Depot's large market share of building and garden materials makes them effective when adjusting to trends and new demand. This excess of cash flow also helps lessen the impact of the transition lag. 3.) Home Depot's high level of brand loyalty from professional clients increases the likelihood of success in their new high-tech market approach, driven as an effort to appeal to their professional clients more (9,5) 	<ul style="list-style-type: none"> 1.) Home Depot faces the challenge of their industry maturing and the growth potential decreasing. However, with their innovative practices in cost reduction and supply chain efficiency, they may be able to increase profit margins allowing for continued stability through tough times (10, 1). 2.) Lowe's has shown a drastic increase in sales from previous quarters, inching closer and closer to Home Depot's 29% share of the market. Home Depot will sustain a substantial market share because Home Depot is targeting professional customers more effectively than Lowe's (2,5). 3.) A looming recession means a decrease in sales and therefore revenue for Home Depot since it is affected by macroeconomics of the United States. However, their large cash flows resulting in retained earnings of over 11 billion in 2019 will ensure that the company can survive tougher times (3,10).
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<ol style="list-style-type: none"> 1.) Home Depot’s history of illegal disposal of toxic waste and allegations from local and federal governments may be a thing of the past with their new efforts focused on sustainable and renewable energy to eliminate toxic waste (4,3) 2.) Home Depot has a very limited number of international business locations, all of which are in North America. Their efforts to incorporate technology into business practices may make the transition to international markets more effective and sustainable (2,1). 3.) Home Depot shows no expense category for research and development however with their acquisition of smaller, more industry specific firms aid in the development of products and can ensure customer satisfaction with new products (7,8) 	<ol style="list-style-type: none"> 1.) Home Depot’s history of toxic waste disposal allegations and new, increasing government regulations on environmental issues may present even larger allegations, especially when entering international markets, against Home Depot in the future, resulting in millions of dollars in fines (4,2). 2.) Home Depot reports that 80% of its revenue comes from within the United States and with many states raising working standards/minimum wage, Home Depot’s bottom line can be significantly decreased by these additional costs (1,4). 3.) With no resources allocated to research and development, Home Depot faces fierce competition from competitors that release innovative products or solutions to common problems, a major factor in a mature market for driving sales (7,9).
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The Home Depot's Partnership with Firehouse Subs

Group 4



FOUNDED BY FIREMENSM



Home Depot's Problem

Home Depot currently struggles to differentiate itself from competitors



Home Depot and Lowes have similar layouts, product offerings and store design



Home Depot has an opportunity to attract families into its stores increasing traffic and increasing possible sales



Home Depot needs to keep its Contractors satisfied and excited to come into the store



Home Depot's Solution

- Add Firehouse subs in The Home Depot stores to attract families
- Contractors have an incentive to come into the store and see full product selection
- Increase overall foot-traffic in stores
- Create value for the consumer by providing a one-stop-shop

Firehouse Subs

- Firehouse Subs is a nationwide company, currently in 46 states
- Support of firemen heavily increases brand name
- Food that can be taken to go for contractors or a sit-down meal for families



Add 300 Firehouse subs to stores each year from 2023-2025



9 employees per store at \$12 dollars an hour



The restaurant will be located at front of store, between registers and front door



Expense each year for building 300 Firehouse stores is 18 million



Total projected sales increase at 1.4 Billion



6% royalty of sales each year and 3% advertising fee

Strategy Details

2023



Complete construction of 300 Firehouse Subs in stores located in the highest traffic stores



Begin construction of 300 Firehouse Subs in next highest traffic stores



467 million dollar increase in sales



Complete construction of 300 Firehouse
subs in stores located in next highest
traffic stores



Begin construction of 300 final Firehouse
Subs locations in the next highest traffic
Home Depot stores



Increase sales by 934 million dollars

2024



COMPLETE CONSTRUCTION OF
300 FIREHOUSE SUBS IN STORES
LOCATED IN THE NEXT HIGHEST
TRAFFIC STORES



HALT FURTHER CONSTRUCTION
AND ANALYZE IF NEW
RESTAURANTS ARE NECESSARY



INCREASE SALES BY 1.4 BILLION
DOLLARS

2025

Conclusion

1

Home Depot
needs to
differentiate itself
from competitors

2

In store
restaurants will
differentiate and
bring in families

3

Increase of sales
by 1.4 billion
dollars